

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 97-982

January 27, 1998

CENTRAL MAINE POWER COMPANY  
Petition for Approval of Affiliated  
Interest Transaction with Union  
Water Power Company for Pole  
Setting Services and Utility  
Construction Services

ORDER

WELCH, Chairman; NUGENT and HUNT, Commissioners

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**I. SUMMARY**

In this Order we approve affiliated interest transactions between Central Maine Power Company (CMP) and Union Water Power Company (Union) for pole-setting services and utility construction services, subject to certain conditions.

**II. BACKGROUND**

On December 31, 1997, CMP requested approval of an affiliated interest arrangement between it and Union pursuant to 35-A M.R.S.A. § 707. Union is a wholly-owned subsidiary of CMP. Union owns and controls certain dam reservoirs and canals in Lewiston on the Androscoggin River and provides real estate and river management and related services to CMP and others. Union, through its "On-Target" division, also provides underground location services and infrared inspections of substations, transmission, and distribution facilities, to CMP and others. The Commission has previously approved On Target's provision of these services to CMP. See, e.g., Orders in Docket Nos. 94-089; 94-038; 95-045; 97-165; 97-897.

On January 5, 1998, Union purchased substantially all of the assets of Gibbs Bros. (Gibbs). During 1996 and 1997, Gibbs was CMP's primary vendor for pole-setting services for CMP's service territory of Augusta and southward. CMP selected Gibbs following a 1996 solicitation and quotes from five vendors. CMP also used three of the other vendors for line construction (including pole-setting).

Union now proposes to provide pole-setting services to CMP for a one-year period ending December 31, 1998, at rates similar, and in some instances lower, than those offered by Gibbs. For example, if CMP used Union for the same services rendered by Gibbs in 1997, CMP would realize annual savings of about 10%.

On January 2, 1998, the Hearing Examiner issued a protective order covering the rates and the pricing arrangement CMP had with Gibbs and that proposed with Union. CMP filed the protected information on January 7, 1998.

### III. DISCUSSION

No public utility may make an arrangement for the furnishing of any service with an affiliated interest until the Commission finds that the arrangement is not adverse to the public interest. 35-A M.R.S.A. § 707(3). In previous arrangements between Union and CMP approved by this Commission, the Commission has considered whether the arrangement has been made on an arms-length basis. Entering into a contract with an affiliate based on that affiliate's submitting the lowest bid through a fair bidding process is one indicator that a transaction is arms-length and likely to be in the public interest.

In this case, Union has bought CMP's primary contractor for pole-setting. CMP previously used Gibbs based on the rates it quoted pursuant to a solicitation by CMP's purchasing department. Union proposes to use Gibbs' price list with some discounts off that list. We will allow the transactions to take place between Union and CMP for pole-setting services on an interim basis. During the first half of 1998, CMP should newly request for rates from all qualified vendors for pole-setting occurring after September 1, 1998. CMP agreed to this procedure in supplemental information submitted to the Commission on January 16, 1998. If Union is selected at that time, CMP must seek new approval from the Commission for the arrangement.

Accordingly, we

### O R D E R

That the arrangement between Central Maine Power Company and Union Water Power Company described in CMP's filings of December 31, 1997, January 7, 1998 (confidential) and January 16, 1998 is approved effective January 5, 1998, pursuant to 35-A M.R.S.A. § 707.

Dated at Augusta, Maine this 27th day of January, 1998.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR:      Welch  
   Nugent  
   Hunt